

# FISCAL NOTE

**Bill #:** SB0092

**Title:** Circuit breaker for Property Taxes

**Primary**

**Sponsor:** Doherty S.

**Status:** As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$65,635	\$240,635
<b>Revenue:</b>		
General Fund	(\$8,075,980)	(\$8,288,552)
State Special Revenue	(19,925)	(\$20,603)
<b>Net Impact on General Fund Balance:</b>	<b>(\$8,141,615)</b>	<b>(\$8,529,187)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. This proposal is effective beginning with tax year 1999. A procedure would be enacted which would allow this bill to meet the March 15<sup>th</sup> deadline (see technical note 1).
2. Based on 1990 Census Bureau data, a total of 67,038 households are eligible for the current law low-income abatement program. Under SB92 it is estimated that a total of 99,474 households would be eligible for the program.
3. Under current law, there are 11,005 applicants receiving the low-income property tax abatement (utilization rate of 16%), with average tax savings of \$250, for a total property tax revenue reduction of \$2,751,250.
4. Under SB92, it is estimated that 16,330 applicants would receive the low-income property tax abatement (utilization rate of 16%), with an average tax savings of \$250, for a total property tax revenue reduction of \$4,082,429 (TY 1997). This results in a property tax reduction of \$1,331,179 (TY1997) due to SB92.

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5. Adjusted by the estimated population growth rate (3.4%), results in estimated property tax reductions of \$1,423,238 in FY00 and \$1,471,628 in FY01.
6. The property tax revenue reduction is distributed; 1.4% to 6 mill university levy, 22.8% to the 95 mill school equalization levy, and 22.8% to county levies, 42.9% to school district levies and 12.6% to cities and town levies.
7. The Department of Revenue notifies previous year's applicants for the property tax assistance program of the income thresholds for the new tax year. Under the proposal the department would re-notify the 11,005 households of the new income thresholds. Total cost of re-notification and for printing additional forms to accommodate the increase in participation is estimated to be \$5,635.
8. It is estimated that the proposal will result in an increase in the total for the homeowner/renter credit of \$7,751,482 in FY00 and \$7,953,021 in FY01 above current law.
9. The reduction in taxable values will cause school districts to increase GTB levies in FY2001 to maintain minimum budgets required under section 20-9-308(1)(a), MCA,(see technical note 4). The higher levies will increase the amount of state GTB aid by \$60,000 if FY2000 and \$235,000 in FY2001. In subsequent years the statewide GTB will be adjusted resulting in insignificant changes in state GTB aid.

FISCAL IMPACT:

	<u>FY2000</u> <u>Difference</u>	<u>FY2001</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,635	\$5,635
Local Assistance – School GTB	<u>60,000</u>	<u>235,000</u>
Total	\$65,635	\$240,635

Funding:

General Fund (01)	\$65,635	\$240,635
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Revenues:

General Fund (01)	(\$8,075,980)	(\$8,288,552)
State Special Revenue (02)	<u>(\$19,925)</u>	<u>(\$20,603)</u>
TOTAL	(\$8,095,905)	(\$8,309,155)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$8,141,615)	(\$8,529,187)
State Special Revenue (02)	<u>(\$19,925)</u>	<u>(\$20,603)</u>
TOTAL	(\$8,161,540)	(\$8,549,790)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

It is estimated that the property tax revenues for local governments would be reduced by \$1,078,814 in FY00 and \$1,115,494 in FY01.

The reduction in property tax value resulting from this bill will cause some school districts which budget at the BASE level, the minimum required under section 20-9-308 (1)(a), MCA, to increase taxes to maintain the minimum budget. Such increases will require a vote under provisions of CI75.

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**LONG-RANGE IMPACTS:**

It is estimated that property tax revenue for the general fund will be reduced by over \$8,294,187 in FY02 and in each following fiscal year. It is estimated that the property tax revenue for local governments will be reduced by \$1,115,494 in FY02 and in each following fiscal year.

**TECHNICAL NOTES:**

1. MCA 15-6-151 states that persons applying for the property tax assistance program must do so by March 15 of the year in which they are eligible. The proposal is effective retroactively to January 1, 1999.
2. The proposal could violate CI-75. It is possible the proposal could result in a decrease in (or possible elimination of) the homeowner/renter credit, resulting in a higher income tax liability.
3. School districts are required to budget at the BASE level under section 20-9-308 (1)(a), MCA. With the reduction in taxable values under this bill, provisions of CI75 will require voter approval to increase tax rates to continue to meet the minimum budget requirement. If voters do not approve the increase the district will be in violation of section 20-9-308, MCA.